

Bank, in this public financial emergency, was compelled, in deference to cloistral official traditions, to adopt that course.¹

During the day some of the banks strangely declined to cash their customers' cheques in gold and simply offered notes and silver, and these calls for cash were largely demanded merely for the purpose of holiday expenses and the payment of weekly wages—both being settled mainly in coin. This was a proceeding difficult of interpretation by prudence and common sense. For the banks were fully cognisant of the fact that their action, would simply drive their customers to the Bank of England for conversion of these notes into gold, and thus might produce in the acutest and most visible form a state of widening insecurity in the people's minds.

¹ Mr. Withers, in a later edition of his volume, has ascertained the facts. The Bank Act was really suspended. On the 1st August, the Bank of England advised the Chancellor of the Exchequer that unless they received authority to issue notes against securities in excess of the permitted limit they would be compelled (in consequence of the depletion of the Reserve) to curtail the facilities which they deemed to be essential to offer to trade and commerce. The Chancellor replied, on the same day, to the effect that if the Bank found it necessary to extend its discounts and advances upon approved securities so as to require issues of notes beyond the limit fixed by Law, this necessity should be immediately met, and an application for sanction would be submitted to Parliament. But no such discount or advance should be granted at a lower rate of interest than 10 per cent., and the Treasury reserved the right to recommend the imposition of higher terms. (The appropriate rate of discount obviously depends upon the actual and changing conditions of the Money Market, and these conditions are only to be known by constant intimate and practical contact. The reader will thus observe the ludicrous assumption by the Treasury of a more real and concrete knowledge of commercial needs than that possessed by the directors of the Bank with their trained sagacity, minute observation, and practised judgment.)

The Chancellor's letter is really a suspension of the »Bank Act, and Parliament's authority was afterwards embodied in the Currency and Bank Notes Act of the 6th of August, 1914. The story may as well be completed here. In November, 1915, the Prime Minister stated in the House of Commons that since, on the 7th and 8th of August, 1914, adequate supplies of Currency Notes were not then available, certain Notes of the Bank of England were utilised, at the Treasury's request, for advances to Bankers under the Act just cited. Thus, this excess issue never appeared in the Bank's Return and only become known a year afterwards.